

Message Text

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ACTION EUR-12

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INFO ALL CONSULATES IN CANADA VIA POUCH

UNCLAS OTTAWA 1302

E.O. 11652: N/A

TAGS: ENRG CA

SUBJECT: FIRST MINISTERS' ENERGY CONFERENCE, APRIL 9: MORNING SESSION

REF: OTTAWA 1290

1. FOLLOWING ARE BRIEF SYNOPSES OF OPENING STATEMENTS OF TEN PROVINCIAL PREMIERS (FOLLOWING REFERENCED PM TRUDEAU'S OPENING STATEMENT) IN ORDER OF PRESENTATION.

2. ONTARIO: PREMIER DAVIS, IN REVIEWING RESULTS OF SIMILAR 1974 CONFERENCE, STATED THAT AGREED INCREASE IN OIL WELL-HEAD PRICE AT THAT TIME TO \$6.50 HAD PREDICTABLE RESULTED IN HIGHER NATURAL GAS PRICES BUT HAD DONE NOTHING IN TERMS OF SUPPLYING MORE OIL OR GAS, EITHER ACTUAL OR POTENTIAL. TO REPEAT THAT PERFORMANCE, HE SAID, WOULD BE TO REINFORCE A DISCREDITED POLICY WHICH HAS NOT SERVED THE NATIONAL INTEREST. HE ATTRIBUTED FAILURE OF POLICY TO FACT THAT OVER 90 PERCENT OF PRICE INCREASE HAD MERELY BEEN TRANSFERRED TO COFFERS OF GOC AND PRODUCING PROVINCES, LEAVING LITTLE INCENTIVE TO COMPANIES TO EXPLORE FOR AND DEVELOP REQUIRED ADDITIONAL RESERVES.

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CITING INCREASING UNEMPLOYMENT, INFLATION, A WORSENERD

COMPETITIVE POSITION IN INDUSTRIAL MARKETS, AND OTHER ECONOMIC PROBLEMS IN ONTARIO, HE FLATLY STATED THAT ONTARIO "OPPOSES ANY INCREASE IN THE PRICE OF CRUDE OIL OR NATURAL GAS AT THIS TIME", ALTHOUGH ACKNOWLEDGING THAT RECONSIDERATION ON PRICES WOULD BE APPROPRIATE ONCE THE ECONOMIC MALAISE WAS OVERCOME. DAVIS CONCLUDED BY PLEDGING "ACTIVE RESISTANCE" TO ANY PRICE INCREASES AND VIRTUALLY DATED THE GOC TO IMPOSE A PRICE INCREASE BY ENACTING THE PETROLEUM ADMINISTRATION ACT (BILL C-32) WHICH WOULD EMPOWER OTTAWA TO SET OIL AND GAS PRICES UNILATERALLY IF VOLUNTARY AGREEMENT WITH THE PROVINCES CANNOT BE REACHED. (COMMENT: BILL C-32 IS CURRENTLY BEING FILIBUSTERED BY THE PROGRESSIVE-CONSERVATIVES.)

3. QUEBEC: PREMIER BOURASSA MAINTAINED GENERALLY LOW PROFILE ON ENERGY PRICING ISSUES, CITING TURNABOUT IN GENERAL ECONOMIC CONDITIONS AS PRIORITY PROBLEM. NEVERTHELESS, BOURASSA DID CONCLUDE THAT DESPITE MANY MISGIVINGS HE COULD AGREE IN PRINCIPLE TO A RISE IN OIL PRICES ON CONDITION (ALBEIT WITH "RISK") THAT THE AVERAGE U.S. PRICE FOR OIL BE ADOPTED IN STAGES "AS AN ABSOLUTE MAXIMUM", IN VIEW OF NEED TO MAINTAIN COMPETITIVENESS WITH U.S. ECONOMY. HE BELIEVED FIRST STEP TOWARD SUCH OIL PRICE PARITY COULD POSSIBLY BE TAKEN BY JULY 1. IN BOURASSA'S VIEW, PRICE INCREASE SHOULD BE USED BY GOVERNMENT IN JOINT PARTICIPATION WITH PRIVATE ENTERPRISE TO DEVELOP NEW ENERGY RESOURCES.

4. NOVA SCOTIA: PREMIER REGAN, TICKING OFF PRIORITY NEEDS TO PROTECT CONSUMERS, TO RESCUE THE "TROUBLED CANADIAN ECONOMY", AND TO MAINTAIN CANADIAN INDUSTRIAL COMPETITIVENESS, STATED HIS "ABSOLUTE CONVICTION THAT IT IS NOT IN THE BEST INTERESTS OF CANADIANS TO HAVE A FURTHER PRICE INCREASE AT THIS TIME", HE EXPRESSED OPEN FEARS, HOWEVER, THAT HIS WAS PROBABLY VOICE IN WILDERNESS IN VIEW OF CLOUT OF FEDERAL GOVERNMENT AND THE PROUDCING PROVINCES.

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5. NEW BRUNSWICK: PREMIER HATFIELD'S STATEMENT WAS BUILT ON THEME THAT ANY OIL AND GAS PRICE INCREASE IS NOT ACCEPTABLE UNLESS IT IS "TIED TO A COMMITMENT TO RESTRUCTURE OUR ECONOMY SO THAT WE ARE NO LONGER SO FULLY DEPENDENT ON ONE SOURCE OF ENERGY, ESPECIALLY IMPORTED OIL". TO ACCOMPLISH THIS GOAL, HATFIELD CALLED FOR COMPREHENSIVE PROGRAM TO DEVELOP RESOURCE AND TAXATION POLICIES TO ENSURE EXPLORATION AND

DEVELOPMENT OF NEW SOURCES OF OIL AND GAS TO ATTAIN NATIONAL SELF-SUFFICIENCY; TO REDUCE OIL AND GAS DEPENDENCY THROUGH SUBSTITUTION OF OTHER ENERGY FORMS; TO CONSTRUCT REMAINING SIGNIFICANT HYDRO-ELECTRIC SITES AND ESTABLISH NATIONAL POWER GRID; AND TO REDUCE ENERGY CONSUMPTION THROUGH SERIOUS CONSERVATION MEASURES.

6. MANITOBA: PREMIER SCHREYER, DEPLORING THE ABSENCE OF A SYSTEMATIVE MECHANISM FOR DETERMINING ENERGY PRICES AND THE LACK OF A CLEARLY-DEFINED NATIONAL ENERGY POLICY, STATED THAT HIS GOVERNMENT "DOES NOT BELIEVE THAT THE NEED FOR AN OIL PRICE INCREASE HAS BEEN DEMONSTRATED". HE EXPRESSED STRONG OPINION THAT OIL AND GAS PRICES SHOULD BE DETERMINED UNDER SYSTEM USED FOR MAJOR PUBLIC UTILITIES: A RATE BASE AS DETERMINED IN RELATION TO CAPITAL INVESTMENT AND AN "ALLOWED" OR "JUSTIFIED" RATE OF RETURN.

7. BRITISH COLUMBIA: PREMIER BARRETT ATTRIBUTED CANADIAN ENERGY PROBLEMS TO MULTINATIONAL OIL COMPANIES AND THEIR "FOREIGN" DOMINATION OF CANADIAN RESOURCES AND CALLED FOR PUBLIC OWNERSHIP AND CONTROL OF ALL ENERGY RESOURCES. IN RETURN FOR SUCH CHANGE IN POLICY, BARRETT AGAIN REPEATED HIS PLEDGE TO SHARE B.C.'S OIL AND GAS RIGHTS WITH THE FEDERAL GOVERNMENT. ON POSSIBLE OIL PRICE INCREASE, BARRETT SAID "NO" IF ANY PART OF THE INCREASE "IS AGAIN TO GO INTO THE POCKETS OF THE MULTINATIONAL OIL AND GAS COMPANIES". ON GAS PRICING, BARRETT, CITING VARIOUS U.S. ECONOMISTS, HIGH INTRASTATE PRICES AND RECENT FPC APPROVAL OF U.S. PURCHASE OF ALBERTA GAS AT \$1.91 PER MCF, PROPOSED MINIMUM OF \$2.00 PER MCF BY NOVEMBER 1. BARRETT ASSURED, HOWEVER, THAT "NOTWITHSTANDING THE CURRENT PRICE SUBSIDIZATION UNCLASSIFIED

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OF AMERICAN CUSTOMERS BY THE CITIZENS OF BRITISH COLUMBIA, WE WILL HONOUR OUR EXPORT NATURAL GAS CONTRACTS; BUT, AT THE PRESENT TIME, WE DO NOT WANT TO ADOPT THE POLICY OF THE LIBERAL PARTY OF BRITISH COLUMBIA WHICH MAINTAINS THAT IF THIS SUBSIDIZATION IS NOT IMMEDIATELY CHANGED, THEN THE PROVINCE SHOULD TURN OFF THE NATURAL GAS TAPS TO THE UNITED STATES".

8. PRINCE EDWARD ISLAND: PREMIER CAMPBELL, WHILE PLEADING FOR FEDERAL ASSISTANCE IN ESTABLISHING AN ELECTRICAL GRID SYSTEM FOR THE ISLAND, STATED THAT HIS GOVERNMENT HAS RELUCTANTLY CONCLUDED THAT THE PRICE OF OIL MUST BE ALLOWED TO ADVANCE, OVER TIME, TO THE "CONTINENTAL PRICE POSITION", IN ORDER TO PROVIDE FINANCING FOR SEEKING OUT NEW RESERVES AND TO ENCOURAGE

A CONSERVATION ETHIC.

9. SASKATCHEWAN: PREMIER BLAKENEY STRONGLY CHASTISED DISCRIMINATION SHOWN BY OTTAWA IN MANDATING NON-DEDUCTIBILITY OF ROYALTIES FOR FEDERAL CORPORATE INCOME TAX PURPOSES IN MAY AND NOVEMBER BUDGETS AND LAMENTED THE CONFUSION THIS ACTION CREATED IN THE RESOURCES INDUSTRY, COMPOUNDED BY THE EXEMPTION OF SYNCRUDE FROM THESE RULES -- A FAVORITISM RESENTED BY SASKATCHEWAN. BLAKENEY FURTHER STATED THAT CURRENT \$6.50 OIL PRICE IS TOO LOW FOR NEW OIL AND NOT HIGH ENOUGH TO ENSURE A VIGOROUS SEARCH FOR NEW OIL AND GAS. TO DEAL WITH THESE PROBLEMS BLAKENEY PROMISED TO PRESENT A COMPREHENSIVE ALTERNATIVE ENERGY PLAN TO THE CONFERENCE LATER IN THE DAY (SEE SEPTTEL).

10. ALBERTA: PREMIER LOUGHEED, NOT UNEXPECTEDLY, STATED FLATLY THAT HIGHER PRICES ARE NECESSARY. WITHOUT SPECIFYING AN EXACT PRICE, LOUGHEED'S "CANADIAN SELF-SUFFICIENCY PRICE" MUST:

- A. ENCOURAGE EXPLORATION FOR REMAINING CONVENTIONAL RESERVES IN ALBERTA AND REST OF CANADA;
 - B. ENCOURAGE DEVELOPMENT AND APPLICATION OF NEW TECHNOLOGY FOR IMPROVED RECOVERY OF KNOWN DEPOSITS OF CONVENTIONAL OIL;
 - C. FAIRLY COMPENSATE "THE CITIZENS" FOR THE SALE
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OF A DEPLETING NON-RENEWABLE RESOURCE;
D. BE SUFFICIENT TO BRING FRONTIER AND SYNTHETIC SUPPLIES TO MARKET;
E. BE OF A LEVEL TO DISCOURAGE RESOURCE MISUSE AND WASTEFUL CONSUMPTION;
F. RECOGNIZE THE NEED FOR CANADIAN INDUSTRY TO BE COMPETITIVE IN WORLD MARKETS.
LOUGHEED EMPHASIZED THAT AT THE MOMENT CANADA IS THE EXCEPTION TO WORLDWIDE INCREASE IN OIL AND GAS EXPLORATION AND DEVELOPMENT. "THE COMPARATIVE ECONOMIC ADVANTAGES TO EXPLORE IN OTHER COUNTRIES, COUPLED WITH THE HARSH TAXATION PROVISIONS OF THE LAST FEDERAL BUDGET ON CANADIAN RESOURCES, HAVE CAUSED A SERIOUS REDUCTION IN EXPLORATION AND DEVELOPMENT ACTIVITY IN CANADA. THE MOVEMENT OF DRILLING PERSONNEL AND EQUIPMENT TO THE UNITED STATES IS CRIPPLING CANADA'S CAPACITY TO ESTABLISH AND MAINTAIN ENERGY SELF-SUFFICIENCY".

11. NEWFOUNDLAND: PREMIER MOORES STATED SIMPLY THAT HIS GOVERNMENT "STILL FIRMLY BELIEVE THAT ULTIMATELY OUR DOMESTIC PRICES MUST MOVE TOWARDS THOSE PREVAILING IN

THE WORLD MARKET". "IF THIS DOES NOT HAPPEN, MAJOR
ECONOMIC DISLOCATIONS WILL INEVITABLY OCCUR AND NEW
DEMANDS FOR THIS FORM OF ENERGY (OIL) WOULD BE CREATED
BASED ON FICTITIOUSLY LOW PRICES.THIS DEMAND ONCE
ESTABLISHED WOULD THEN HAVE TO BE MET IN THE LONG RUN
BY HIGHER COST ALTERNATIVES".
PORTER

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